

The Health Coverage Tax Credit: Making Health Coverage More Affordable

Access to health coverage remains a major concern for millions of Americans. Many simply find health coverage unaffordable. Others lose their health coverage or the ability to pay for their own coverage when they lose their jobs. To address this problem, Congress passed the Trade Act of 2002 which created the Health Coverage Tax Credit (HCTC). The HCTC allows individuals receiving certain Trade Adjustment benefits and some individuals who receive Pension Benefit Guaranty Corporation (PBGC) pension benefits to obtain health coverage with the help of a tax credit.

HCTC can make health coverage affordable for some individuals who might otherwise go without it. This federally funded tax credit pays 65% of the premium amount that certain individuals pay for qualified health coverage.

As a tax professional, you can help individuals understand their options and make informed tax decisions. Here is a quick look at how you can make an important contribution to individuals who may need health coverage because they have been laid off or because their pension benefits no longer include health coverage.

With the HCTC, an individual may choose to have the 65% credit applied each month to their health plan premiums as they come due. Alternatively, an individual may claim the tax credit when they file their federal tax return. It is also possible to combine these two options. Discussing the pros and cons of these options with your clients will be important.

The Health Coverage Tax Credit saves eligible individuals \$65 on every \$100 they spend on qualified health coverage.

Understanding the HCTC eligibility criteria is necessary to help individuals obtain this tax credit. For example, individuals must be covered by a qualified health plan, and only specific health plans qualify for the HCTC. To determine if an individual is a candidate for the HCTC, start by asking if they are (or were during any part of the tax year):

- Receiving benefits under the Trade Adjustment Assistance (TAA) program; or
- Receiving benefits under the Alternative Trade Adjustment Assistance (ATAA) program; or
- Receiving pension payments from the PBGC and at least 55 years old.

If the answer to any of these questions is “yes,” then it is necessary to determine if the individual is enrolled in a qualified health plan and *not* eligible for Medicare. To learn more about qualifying health plan options or about specific eligibility criteria, visit **www.irs.gov (IRS Keyword: HCTC)**. You may also contact the **HCTC Customer Contact Center** toll-free at 1-866-628-HCTC (4282), TDD/TTY 1-866-626-4282.